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A1512002

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

In the Matter of Application of Volcano Telephone Company (U 1019 C) to Review Intrastate Rates and Charges, Establish a New Intrastate Revenue Requirement and Rate Design, and Modify Selected Rates

A. _____

**GENERAL RATE CASE APPLICATION
OF VOLCANO TELEPHONE COMPANY (U 1019 C)**

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Attorneys for
Volcano Telephone Company

December 1, 2015

1 **I. INTRODUCTION**

2 Applicant Volcano Telephone Company (U 1019 C) ("Volcano") hereby respectfully
3 submits this General Rate Case Application ("Application") to the California Public Utilities
4 Commission ("Commission") for review of its intrastate rates and charges for regulated intrastate
5 telecommunications services, for updates to its intrastate revenue requirement, and for
6 establishment of a rate design that will give Volcano a reasonable opportunity to meet its revenue
7 requirement. Volcano's proposed revenue requirement in this proceeding modifies its existing
8 Commission-approved revenue requirement to reflect the company's current circumstances and
9 anticipated customer needs. In its last rate case, the Commission approved a test year 2008
10 intrastate revenue requirement for Volcano of \$10,280,676.¹ Since that time, Volcano's expenses
11 have increased, resulting in additional costs that must be reflected in its revenue requirement.² In
12 addition, Volcano continues to invest in its network to ensure that it is capable of delivering safe,
13 reliable voice service over a broadband-capable platform that is compliant with federal and state
14 regulatory requirements. These factors necessitate the requested increase in Volcano's revenue
15 requirement to \$11,647,597, which is nearly 2% less than an inflationary increase since Volcano's
16 revenue requirement was last set.³

17 Adjustments to Volcano's rate design are also required to ensure that Volcano will be given
18 a reasonable opportunity to achieve its revenue requirement. Since 2008, intrastate access charges
19 and intercarrier compensation revenues have been significantly reduced. Federal high-cost
20 support has also declined. In addition, the Commission has mandated an adjustment to Volcano's
21

22 ¹ See Res. T-17108 (November 1, 2007), at p. 1, and Appendix C, Line 9, column (E).

23 ² The risks affecting its cost of capital have grown since its cost of capital was last formally
24 examined in 1996-1997. Res. T-16007 (April 9, 1997), at pp. 4-5 and Finding of Fact 8. The cost
25 of capital issue is being considered contemporaneously with this rate case in a separate application
proceeding, A.15-09-005.

26 ³ Over the period of January 1, 2008 through December 31, 2017, the Gross Domestic Product
27 Pricing Index ("GDPPI") will have grown an estimated 15.58%. This figure is calculating using
28 GDPPI information from the U.S. Bureau of Economic Analysis, as explained in the
contemporaneously-submitted testimony of Chad Duval.

1 basic, residential rates so that they fall within a range of \$30.00 to \$37.00, inclusive of surcharges
2 and fees. Through this Application, Volcano also proposes minor adjustments to its single-line
3 business rates. These rate adjustments, and a recalculation of CHCF-A based on the updated
4 revenue shortfall produced from its other revenue sources, are necessary to ensure that Volcano
5 has a reasonable opportunity to earn its authorized rate of return.

6 Concurrently with the filing of this Application, Volcano is serving prepared direct
7 testimony of John Lundgren, Chad Duval, and Dale Lehman. This testimony has been served on
8 the Director of the Office of Ratepayer Advocates ("ORA") and the Communications Division
9 Director, and the Chief Administrative Law Judge. The testimony of these witnesses provides the
10 factual support for the recommendations reflected in this Application.

11 **II. RATE CASE OVERVIEW AND COMPLIANCE WITH PUBLIC UTILITIES**
12 **CODE SECTION 275.6**

13 Volcano's rate case recommendations outline its anticipated test year operational
14 requirements based on applicable state and federal law, which set forth how its rates must be
15 established. Specifically, Volcano's proposal is entirely consistent with the primary statutory
16 direction regarding the development of rate structures for "small independent telephone
17 corporations," Public Utilities Code Section 275.6. Under Public Utilities Code Section
18 275.6(c)(2), the Commission must:

19 Employ rate-of-return regulation to determine a small independent telephone
20 corporation's revenue requirement in a manner that provides revenues and earnings
21 sufficient to allow the telephone corporation to deliver safe, reliable, high-quality
22 voice communication service and fulfill its obligations as a carrier of last resort in
its service territory, and to afford the telephone corporation a fair opportunity to
earn a reasonable return on its investments, attract capital for investment on
reasonable terms, and ensure the financial integrity of the telephone corporation.

23 Pub. Util. Code § 275.6(c)(2). The cornerstone of ratemaking for small independent telephone
24 companies is the crafting of a reasonable "revenue requirement." Once "revenue requirement" is
25 established, the Commission must "then fashion[] a rate design to provide the company a fair
26 opportunity to earn a reasonable rate of return on its rate base." Pub. Util. Code § 275.6(b)(4).
27 Volcano's proposals in this case include these key elements and are consistent with these statutory
28 mandates.

1 **A. Volcano's Revenue Requirement is Consistent with Statutory Standards and**
2 **Public Policies Designed to Promote Broadband Access and Network**
3 **Reliability**

4 Revenue requirement is defined as “the amount that is necessary for a telephone
5 corporation to recover its reasonable expenses and tax liabilities and earn a reasonable rate of
6 return on its rate base.” Pub. Util. Code § 275.6(b)(4). Volcano's proposed revenue requirement
7 incorporates each of these cost factors, including \$7,630,244 in anticipated regulated expenses and
8 property taxes, return on rate base of \$2,516,413 based on a total rate base of \$17,342,610, and
9 forecasted tax liabilities of \$1,500,940. This yields a total intrastate revenue requirement of
10 \$11,647,597 for test year 2017.

11 Volcano's application also complies with other relevant state and federal policy objectives
12 that inform how the Commission should establish a revenue requirement for a small, rate-of-return
13 regulated telephone company. The Legislature has directed the Commission to “[p]romote
14 customer access to advanced services and deployment of broadband capable-facilities in rural
15 areas” Pub. Util. Code § 275.6(c)(5). The Commission also must “[i]nclude all reasonable
16 investments necessary to provide for . . . the deployment of broadband-capable facilities in the rate
17 base of small independent telephone corporations.” Pub. Util. Code § 275.6(c)(6). Volcano's
18 revenue requirement and rate base are crafted to ensure that customers have access to advanced
19 services of their choice over a safe, reliable, high-quality broadband-enabled network. *See* Pub.
20 Util. Code § 275.6(c)(2) (requiring the Commission to employ rate-of-return regulation to provide
21 for safe, reliable, high-quality voice service).

22 Further, the Federal Communications Commission ("FCC") has conditioned federal high-
23 cost funding upon the fulfillment of similar objectives, including meeting minimum broadband
24 speed standards. *In Matter of Connect America Fund*, WC Docket No. 10-90, *Report and Order*,
25 FCC 14-190 (rel. Dec. 18, 2014), at ¶¶ 15-20 (requiring carriers to meet 10/1 Mbps to meet
26 minimum Eligible Telecommunications Carrier standards). Volcano's plant recommendations
27 serve to further each of these important policy objectives, and to anticipate future broadband
28

1 requirements and customer needs.⁴

2 **B. Volcano's Rate Design Results in Reasonable Customer Rates And Sufficient**
3 **Projected Revenues to Give Volcano a Reasonable Opportunity to Fulfill Its**
4 **Revenue Requirement**

4 Volcano's rate design recommendations also meet statutory standards. Under Public
5 Utilities Code Section 275.6, "rate design" means "the mix of end user rates, high-cost support,
6 and other revenue sources that are targeted to provide an opportunity to meet the revenue
7 requirement of the telephone corporation." Pub. Util. Code § 275.6(b)(3). Volcano's proposed
8 rate design includes \$3,108,414 in local network service revenues derived from end users,
9 \$672,250 in intrastate access revenues, \$103,959 in other intrastate service and miscellaneous
10 revenues, \$802,0237 in federal High Cost Loop Support ("HCLS"), and \$6,960,937 in California
11 High Cost Fund A ("CHCF-A").

12 Volcano's end user rates are consistent with the Commission's mandate to maintain "just
13 and reasonable rates" that are "reasonably comparable" to urban rates. Pub. Util. Code
14 § 275.6(c)(3). The decision resolving Phase 1 of the CHCF-A proceeding, D.14-12-084, found
15 that small incumbent local exchange carriers' rates residential basic rates must be set within a
16 range of \$30.00 to \$37.00, inclusive of federal and state fees and surcharges. D.14-12-084, at p.
17 102 (Ordering Paragraph ("O.P." 9). Volcano proposes to set its residential basic rate at the
18 bottom of this range, which yields a basic residential rate of \$21.63, exclusive of the Subscriber
19 Line Charge ("SLC") and the other surcharges and fees. This rate is consistent with the
20 Commission's determination of rate reasonableness for small telephone companies, and
21 appropriate given the relatively low income levels of residents in Volcano's service territory.

22 Volcano also proposes small adjustments to its single-line business rates to bring the rate

23
24 ⁴ Notably, the FCC recently increased its forward-looking definition of broadband to 25 Mbps download
25 and 3 Mbps upload; this is likely to become the minimum standard for Eligible Telecommunications
26 Carriers in the near future. *In Matter of Inquiry Concerning the Deployment of Advanced*
27 *Telecommunications Capability to All Americans in a Reasonable in a Timely Fashion, and Possible Steps*
28 *to Accelerate Such Deployment Pursuant to Section 706 of the Telecommunications Act of 1996, as*
Amended by the Broadband Data Improvement Act. Connect America Fund, GN Docket No. 14-126,
Report and Notice of Inquiry on Immediate Action to Accelerate Deployment (rel. Feb. 4, 2015) ("FCC
2015 Broadband Report"), at ¶¶ 26-27.

1 in all its exchanges to \$31.60. With the increase in the basic residential rate, Volcano will be
2 required to eliminate its federally tariffed Access Recovery Charge ("ARC"), which provides cost
3 recovery for federally mandated reductions in intrastate and interstate switched access revenues.
4 The reduction in ARC revenues will be offset by an increase in Federal Connect America Fund
5 Intercarrier Compensation support. Finally, Volcano proposes to eliminate its Extended Area
6 Service ("EAS") charge of \$0.95 in the West Point Exchange to align rates for West Point with
7 rates in Volcano's other exchanges.

8 Volcano's proposed CHCF-A draw is a critical part of this rate design, and it comports
9 with statutory standards for support. CHCF-A support must be supplied in "an amount sufficient
10 to supply the portion of the revenue requirement that cannot reasonably be provided by the
11 customers of the small independent telephone corporation after receipt of federal universal service
12 rate support." Pub. Util. Code § 275.6(c)(4). Volcano's testimony shows that its ratepayers cannot
13 reasonably bear a larger proportion of responsibility for revenue requirement, so – by law – the
14 remainder must come from the CHCF-A. Similarly, Volcano's CHCF-A recommendation is not
15 "excessive" because it would be no greater than necessary to fulfill a revenue requirement that the
16 record will show is reasonable. Pub. Util. Code § 275.6(c)(7).

17 **C. Volcano's Proposal Comports with Constitutional Standards**

18 Volcano's proposals are also consistent with longstanding constitutional authorities that
19 address public utility ratemaking. Its proposals would provide Volcano with a reasonable
20 opportunity to achieve earnings needed to provide adequate service to its subscribers, cover its
21 costs and tax liabilities, and fairly compensate its investors. Where utility rate structures adopted
22 by state commissions fail to "afford sufficient compensation, the state commission has illegally
23 appropriated the use of utility property without paying just compensation, and so violated the Fifth
24 and Fourteenth Amendments." *Duquesne Light Co. v. Barasch*, 488 U.S. 299, 308 (1989). Where
25 a Commission-imposed rate structure leaves a company with "insufficient operating capital or . . .
26 impedes [the] ability to raise future capital," or if a rate would be "inadequate to compensation
27 equity holders for the risks associated with their investments," the rate structure is
28 unconstitutional. *Id.* at 334. In this regard, Volcano has formulated its rate case proposals to

1 ensure that it would be able to provide reasonable returns to its investors so that it can continue to
2 attract capital, thereby avoiding the possibility of an unlawful taking.

3 Volcano's application is well supported by an extensive factual showing and consistent
4 with applicable law. The Commission should apply the law to the facts in a straightforward way
5 and adopt Volcano's proposed revenue requirement and rate design.

6 **III. PROCEDURAL REQUIREMENTS AND FORMAL COMPLIANCE ITEMS**

7 **A. Statutory Authority**

8 This Application is brought pursuant to Public Utilities Code Sections 275.6, 454, and 728,
9 the Commission's Rules of Practice and Procedure ("Rules"), the Rate Case Plan set forth in D.
10 15-06-048 (June 25, 2015), and the relevant decisions, orders, and resolutions of the Commission.

11 **B. Corporate Information and Correspondence (Rules 2.1(a) and 2.1(b))**

12 The full name of the applicant is Volcano Telephone Company. Volcano is a corporation
13 organized under the laws of the State of California. The address of its principal place of business
14 is P.O. Box 1070, Pine Grove, CA 95665-1070 and its telephone number is (209) 296-7502.
15 Volcano consents to service by email. Correspondence and other communications regarding this
16 Application should be sent to counsel for Volcano as follows:

17 Mark P. Schreiber
18 Patrick M. Rosvall
19 Sarah J. Banola
20 Ann L. Ten Eyck
21 COOPER, WHITE & COOPER LLP
22 201 California Street, Seventeenth Floor
23 San Francisco, CA 94111
24 Tel: (415) 433-1900
25 Fax: (415) 433-5530
26 Email: prosvall@cwclaw.com

27 with copies to Brenda Shepard of Volcano at brendas@volcanotel.com.

28 **C. Organization and Qualification to Transact Business in California (Rule 2.2)**

Volcano's Articles of Incorporation as certified by the Secretary of State of the State of
California were submitted with Application 15-09-005 (filed September 1, 2015). In accordance
with Rule 2.2, specific reference is made to this prior filing in lieu of its submission with this
Application.

1 **D. Financial Statements (Rules 2.3 and 3.2(a)(1))**

2 Attached as Exhibit A are Volcano's most recent financial statements. Pursuant to the
3 Commission's rules, these consist of a balance sheet as of the latest available date, together with an
4 income statement covering the period from the close of 2014, the last year for which an annual
5 report has been filed with the Commission, to the date of the balance sheet attached to the
6 Application.

7 **E. Description of Volcano's Facilities, Equipment, and Other Property, the Cost
8 and Depreciation Reserve Applicable to the Property, the Character of
 Business Performed, and the Territory Served (Rule 3.2(a)(4))**

9 Volcano owns and operates a telephone system that provides local exchange telephone
10 service in portions of Alpine, Amador, Calaveras, and El Dorado Counties. The system consists
11 mainly of a local exchange telephone network and facilities for its interconnection to the public
12 switched telephone network, including underground and aerial cable and lines, radio equipment,
13 central office equipment, land, buildings, and miscellaneous other equipment. Volcano's
14 telephone network is described in detail in the testimony of John Lundgren served on ORA and
15 the Communications Division to this matter concurrently with the filing of this Application.

16 The cost to the Applicant of its property and equipment and the depreciation reserve
17 applicable thereto are shown on the balance sheet included in the exhibits that accompany this
18 application. Depreciation expense is calculated on a remaining-life basis established in the course
19 of Applicant's last general rate proceeding, and updated by a recent depreciation study described in
20 the testimony served on the Director of ORA and the Communications Division Director to this
21 matter concurrently with the filing of this Application.

22 **F. Present and Proposed Rates (Rules 3.2(a)(2) and 3.2(a)(3))**

23 Volcano's current rate for single-line residential local exchange telephone service is
24 \$20.25.⁵ Volcano proposes to increase this rate to \$21.63. Volcano's current rate for single-line
25 business local exchange telephone service is ranges from \$30.70 to \$31.60 in its four exchanges.

26 _____
27 ⁵ In addition, there is a \$0.95 monthly billing increment added to subscribers in the West Point
28 Exchange for EAS. Volcano proposes to eliminate that EAS increment.

1 Volcano proposes to increase this rate to a uniform \$31.60 in all of its exchanges. Volcano does
2 not propose to change any other local service rates or charges. As previously discussed, the
3 increase in the basic residential rate also necessitates the elimination of the federally-tariffed ARC.

4 The tariff changes proposed by this Application are attached hereto as Exhibit B. These
5 proposed rate modifications, if adopted, would result in an estimated annual customer revenue
6 increase of approximately \$111,725 in 2017.

7 **G. Summary of Earnings (Rules 3.2(a)(5), 3.2(a)(9))**

8 Volcano uses calendar year 2017 as the test period for this rate case, as required in D.15-
9 06-048. A summary of estimated earnings on a depreciated rate base for the test period is attached
10 as Exhibit C hereto. This schedule shows Volcano's total intrastate operations, as well as interstate
11 and total company operations.

12 **H. Federal Income Tax Depreciation Deduction (Rule 3.2(a)(7))**

13 In computing its federal income tax, Volcano utilizes the Modified Accelerated Cost
14 Recovery System ("MACRS") to depreciate property plant and equipment for federal income tax
15 purposes. For ratemaking purposes, Volcano has calculated federal income tax expense using
16 straight-line depreciation.

17 **I. Proposed Increase Is Not Based on "Pass Through" Costs (Rule 3.2(a)(10))**

18 Volcano's requested ratemaking adjustments do not involve a "pass through" of costs. The
19 future test year employed in California for general rate cases such as this one is based on
20 forecasted future results of operation. Accordingly, small independent telephone company general
21 rate cases do not incorporate elements of cost pass-throughs as are more typically the subject of
22 certain other utility company rate filings, such as those involving energy resource recovery
23 accounts.

24 **J. Financial Interest in Transactions (Rule 3.2(a)(8))**

25 In accordance with Rule 3.2(a)(8), Volcano confirms that its capital stock is not listed on a
26 "national securities exchange" and that its capital stock is not registered with the Securities and
27 Exchange Commission pursuant to Section 12(g) of the Securities Exchange Act of 1934. Since
28 the filing of its last annual report with the Commission, there have been no transactions of the type

1 described in General Order 104-A, nor have any such transactions been proposed since the filing
2 of Volcano's last annual report.

3 **K. Notices (Rules 3.2(b), 3.2(c), 3.2(d))**

4 Pursuant to Rule 3.2(b), within 20 days of the filing of this Application, Volcano will mail
5 a notice describing the proposed rate restructure sought in this Application to: (1) the State of
6 California, by serving the Attorney General and the Department of General Services; (2) the
7 County Counsel and County Clerks of Alpine, Amador, Calaveras, and El Dorado counties.
8 Volcano will also publish a notice in a newspaper of general circulation in the counties of Alpine,
9 Amador, Calaveras, and El Dorado within 20 days after the filing date of this Application, as
10 required by Rule 3.2(c). This notice has not yet been approved by the Commission's Public
11 Advisor, so the notice may be modified based on input from the Commission. A copy of the
12 proposed notice is attached hereto as Exhibit D.

13 Further, Volcano will send a notice to customers regarding proposed rate adjustments
14 requested and matters to be addressed in this rate case. Volcano uses a 30-day billing cycle, so it
15 will mail a notice to subscribers within 45 days, in compliance with Rule 3.2(d). A form of the
16 notice to be provided is attached as Exhibit E hereto. This notice has not yet been approved by the
17 Commission's Public Advisor, so the notice may be modified based on input from the
18 Commission.

19 A full copy of the Application, including all exhibits, will be furnished upon written
20 request from these or any parties. Proof of compliance with the customer notice requirement will
21 be filed within 65 days of the submission of this Application.

22 **L. Service**

23 This Application has been served by email on each of the individuals listed on Volcano's
24 list for service of advice letters. Volcano maintains this list in compliance with Rule 4.3 of
25 General Order 96-B. This Application has also been served on the Commission's Executive
26 Director, the Chief Administrative Law Judge, the Director of the Communications Division, and
27 the Director of ORA. The service list for this Application is attached to the certificate of service.
28

1 **M. Relevant Safety Considerations**

2 As explained in the testimony of John Lundgren submitted contemporaneously herewith,
3 Volcano has a strong record of providing high-quality, reliable, safe service to its rural service
4 area. Volcano believes that the proposals made in this rate case are reasonable and necessary to
5 allow Volcano to be able to continue provide this high level of service to its subscribers, thereby
6 promoting the public interest in having a robust and reliable telecommunications network
7 available in times of emergency.

8 **N. Section 275.6(e) Statement**

9 As noted above, Volcano relies in part upon the ratemaking directives in Public Utilities
10 Code Section 275.6 as statutory authority for this Application. Section 275.6(e) also contains a
11 limited, informational requirement that

12 [u]pon request from the commission, a small independent telephone corporation
13 that receives support from the [CHCF-A] shall provide information regarding
14 revenues derived from the provision of unregulated internet access service by that
15 corporation or its affiliate within that corporation's telephone service territory. The
16 commission shall treat as confidential any information provided pursuant to this
17 subdivision.

18 Pub. Util. Code § 275.6(e) (emphasis added). As the statutory language reflects, only "revenue
19 derived from the provision of unregulated internet access service" in Volcano's service territory, if
20 received by Volcano or an affiliate, would be subject to identification, and this information would
21 only be required upon request.

22 Although Volcano has not received an explicit request from the Commission pursuant to
23 Section 275.6(e), it has provided information reflecting its total unregulated retail revenues
24 derived from providing Internet access service. This information marked as confidential, in
25 accordance with the protections of Public Utilities Code Section 275.6(e), and is provided in Chad
26 Duval's testimony, served contemporaneously with this Application.

27 Volcano notes that nothing in Public Utilities Code Section 275.6 or other provision of law
28 requires or permits the Commission to use these Internet access revenues in ratemaking for "small
independent telephone corporations." Accordingly, these unregulated revenues have not been
incorporated into Volcano's ratemaking recommendations in any way. The identification of these

1 revenues is purely informational, consistent with the language and intent of Public Utilities Code
2 Section 275.6.

3 **O. Compliance with the Rate Case Plan (D.15-06-048)**

4 In D.15-06-048 (June 25, 2015), the Commission adopted a Rate Case Plan for CHCF-A
5 recipient companies, including Volcano. Under the Rate Case Plan, Volcano is included in
6 "Group A," with a rate case deadline of December 1, 2015. The Rate Case Plan set forth certain
7 requirements that must be met before such a rate case may be filed. Volcano has complied with
8 all the requirements necessary to submit this rate case.

9 In accordance with these requirements, Volcano submitted its Notice of Intent ("NOI") to
10 file a rate case on October 1, 2015, including its initial proposals and its basic ratemaking and
11 summary calculations. Volcano followed up on this NOI by serving detailed calculations
12 supporting its proposal on ORA and Communications Division on October 5, 2015. The Rate
13 Case Plan also provides for ORA to submit Minimum Data Requests ("MDRs") fifty-five days
14 before the application date, and for Volcano to respond to the MDRs at least forty-one days before
15 the application date. Following successful meetings with ORA in advance of issuance of formal
16 MDRs, ORA provided Volcano with its MDRs on October 5, and Volcano timely responded to
17 those MDRs on October 20, 2015, and furnished a limited supplemental response on October 27,
18 2015.

19 ORA provided Volcano with a small list of perceived deficiencies in the MDR responses
20 on November 2, 2015. Volcano addressed those items through supplemental responses on
21 November 4, 2015. Communications Division did not issue a notice of deficiency, and Volcano
22 has met with Communications Division, who has confirmed that Volcano's NOI and MDR
23 responses are satisfactory. Therefore, all pre-application requirements of D.14-12-084 are met.

24 **IV. PROPOSED CATEGORIZATION, STATEMENT OF ISSUES, AND PROPOSED**
25 **SCHEDULE (RULES 2.1(c) and 1.3(e))**

26 In accordance with Rules 2.1(c) and 1.3(e), Volcano proposes that this proceeding be
27 classified as a ratesetting proceeding. This proceeding squarely meets the criteria for designation
28 as ratesetting, as it is a proceeding in which the Commission will "set . . . rates for a specifically

1 named utility." Rule 1.3(e).

2 The issues to be considered are: (a) a determination of the revenue requirement of
3 Volcano utilizing a 2017 test year; and (b) the appropriate review of Volcano's rates and charges
4 and sources of supplemental intrastate funding required to afford Volcano with a reasonable
5 opportunity to earn the rate of return specified in its adopted 2017 test year results of operations.
6 The revenue requirement and rate design issues involved in this case will require a hearing.

7 Volcano proposes the following schedule for the proceeding:

8	Day 0	Application Filed and Testimony Served
9	Day 30	Protest/Intervenor Deadline
10	Day 40	Reply to Protest
11	Day 60	Prehearing Conference
12	Day 150	Intervenor Testimony Due
13	Day 180	Rebuttal Testimony Filed
14	Day 210	Evidentiary Hearings Begin
15	Day 250	Opening Briefs
16	Day 271	Reply Briefs/ALJ Closes Record
17	Day 331	Proposed Decision
18	Day 351	Comments on Proposed Decision
19		
20	Day 361	Commission Meeting/Decision
21	Day 397 (January 1, 2017)	Implement New Rate Structure
22		

23 This schedule will allow for the issues in this case to be considered in a thoughtful and orderly
24 manner, taking into account the need for discovery to inform the relevant testimony. It will also
25 allow for the rate structure to take effect on the first day of the test year, consistent with
26 longstanding Commission practice. As discussed above, Volcano has already provided the Notice
27 of Intent to file the rate case and provided ORA with responses to the MDRs in accordance with
28 the Rate Case Plan.

1 **V. SUMMARY OF TESTIMONY**

2 In support of this Application, Volcano is contemporaneously serving the pre-filed
3 testimony of three witnesses: (1) John Lundgren, Volcano's Vice President and Director of
4 Network Services; (2) Chad Duval of Moss Adams LLP, Volcano's cost and regulatory consultant;
5 and (3) Ph.D economist, Dr. Dale Lehman. Mr. Lundgren will provide an overview of the
6 proposed relief, including a summary of Volcano's service territory, customer base, and
7 operational goals, present its rate base recommendations, and address its service quality, including
8 the company's network design and anticipated construction projects. Mr. Duval will provide the
9 ratemaking calculations and related policy support that informs Volcano's proposed revenue
10 requirement and rate design. Dr. Lehman will provide expert economic testimony to rebut the full
11 application of the FCC's "corporate expense cap" as applied to Volcano's corporate expense
12 calculations. Dr. Lehman also provides economic support for establishing Volcano's "inclusive"
13 basic, residential rate at the low end of the Commission's identified "range of reasonableness."

14 Collectively, these company and expert witnesses supply a compelling evidentiary
15 foundation for Volcano's proposed relief. Volcano reserves the right to supplement this testimony
16 in rebuttal testimony and at any other point that may be appropriate in this proceeding.

17 **VI. LIST OF EXHIBITS**

- 18 Exhibit A Financial Statements
19 Exhibit B Tariff Changes
20 Exhibit C Summary of Earnings
21 Exhibit D Proposed Publication Notice
22 Exhibit E Proposed Customer Notice

23 **VII. PRAYER FOR RELIEF**

24 WHEREFORE, Volcano respectfully prays that this Commission issue orders or decisions:

- 25 1) Setting this Application for hearing;
26 2) Adopting the revenue requirement of \$11,647,597 for test year 2017 as proposed
27 by Volcano and authorizing Volcano to modify selected present intrastate rates and to place in
28 effect the rates and charges proposed herein, including establishing establish a draw from the

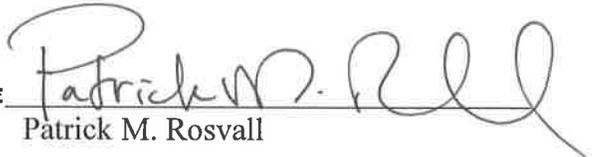
1 CHCF-A in the amount of \$6,960,937 per year, effective January 1, 2017; and

2 3) Providing such other relief as may be necessary and proper.

3 Executed at San Francisco, California on this 1st day of December 2015.

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By: 
Patrick M. Rosvall

Attorneys for
Volcano Telephone Company

VERIFICATION

I, Brenda Shepard, declare under penalty of perjury that the following is true and correct:

I am employed by applicant Volcano Telephone Company, as its Chief Financial Officer. I make this verification on behalf of Volcano Telephone Company, and am authorized to make this verification on its behalf. I have read the foregoing Application, and know the contents thereof, from my own knowledge and/or from discussing its contents with other knowledgeable employees and representatives of Volcano. The matters stated therein are true of my own knowledge or I am informed and believe that they are true, and on that basis, I allege that the matters stated therein are true.

Executed this 7 day of December, 2015 at Pine Grove, California.



Brenda Shepard

Exhibit A

VOLCANO TELEPHONE COMPANY

AS OF: 9/30/2015

CURRENT ASSETS

Cash and cash equivalents	\$ 9,823,788
Cash - RUS construction fund	52,001
Short-term investments	1,154,778
Accounts receivable	1,158,662
Accounts receivable - affiliates	785,126
Notes receivable	-
Inventory	2,329,200
Prepaid income taxes	216,548
Other prepayments	507,637
Deferred income taxes	232,725
Total current assets	16,260,465

NONCURRENT ASSETS

Investments	723,304
Investments in affiliates	-
Notes receivable	-
Goodwill	-
Intangible assets, net	-
Unamortized debt expense	5,443
Total noncurrent assets	728,747

PROPERTY, PLANT,
AND EQUIPMENT

Plant in service	70,818,063
Plant under construction	2,926,717
	73,744,780
Less accumulated depreciation and amortization	49,973,441
Net property, plant, and equipment	23,771,339
	\$40,760,551

VOLCANO TELEPHONE COMPANY

AS OF: 9/30/2015

CURRENT LIABILITIES	
Accounts payable	\$ 303,363
Accounts payable - affiliates	36,711
Current Maturities - LTD	630,000
Accrued taxes	1,790,395
Dividends payable	-
Profit sharing plan payable	217,500
Unearned revenue	-
Other current liabilities	506,720
Total current liabilities	3,484,689
LONG TERM DEBT	
Mortgage notes	10,562,342
Notes payable - affiliate	-
Total long term debt	10,562,342
OTHER LIABILITIES AND DEFERRED CREDITS	
Defered credit	-
Deferred income taxes	2,420,346
Total other liabilities and deferred credits	2,420,346
STOCKHOLDERS' EQUITY	
Preferred Stock	1,295,250
Common Stock	58,875
Other capital	-
accum. Other Comprehensive inc.	
Retained earnings	22,939,049
Total stockholders' equity	24,293,174
	\$40,760,551

VOLCANO TELEPHONE COMPANY

AS OF: 9/30/2015

OPERATING REVENUES	
Local network services	\$ 2,167,299
Network access services	7,078,307
Long distance network services	-
Other telephone revenues	515,826
Public telephone revenues	-

Television revenues	-
Sales - Other Sunrise Square	-
Directory advertising	-
Internet revenues	-
Total operating revenues	9,761,432
OPERATING EXPENSES	
Plant specific operations	1,587,547
Plant nonspecific operations	1,182,614
Customer operations	536,323
Corporate operations	1,502,923
Depreciation & amortization	2,706,832
Cost of public telephone svcs	-
Cost of television services	-
Cost of comm. system sold	-
Cost internet services	-
Cost of long distance services	-
Directory Expenses	-
Selling expense - television	-
Selling expense - comm. systems	-
Selling expense - internet	-
General and administrative	-
Other operating taxes	211,910
Total operating expenses	7,728,149
OPERATING INCOME	2,033,283

VOLCANO TELEPHONE COMPANY

AS OF: 9/30/2015

OPERATING INCOME	\$ 2,033,283
OTHER INCOME AND (EXPENSES)	
Interest and dividend income	12,973
Interest expense	(468,973)
AFUDC	12,973
Equity income (loss) from Invest.	-
Equity income (loss) from affiliates	-
Miscellaneous income, net	(51,727)
Total othr income & (expense)	(494,754)
INCOME (LOSS) BEFORE	1,538,529
INCOME TAXES	

PROVISION (BENEFIT)	
FOR INCOME TAXES	557,795
NET INCOME	\$ 980,734

Exhibit B

Schedule No. A-1

NETWORK ACCESS LINE SERVICE

APPLICABILITY

Applicable to residence and business exchange one-party access lines arranged for touch calling.

TERRITORY

Within the exchange areas, as said areas are defined on maps filed as part of the tariff schedules.

RATES

Rate per Month

(1) Business One-Party Access Line Services		(T)
a. Extended Area Service		
1. Pioneer		
Flat Rate Service	\$ 30.70	
2. Volcano		
Flat Rate Service	30.70	
3. West Point*		
Flat Rate Service	31.60	
b. Local Service		
1. Kirkwood Meadows		
Flat Rate Service	31.00	

* See Special Conditions 6. for toll-free calling to certain organizations and entities in Pacific Bell's San Andreas exchange.

(D)
(D)

(Continued)

(To be inserted by the utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. 298

Sharon J. Lundgren

Date Filed June 3, 2003

Decision No. _____

NAME

Effective June 18, 2003

President

Resolution No. T-16742

TITLE

Schedule No. A-1

NETWORK ACCESS LINE SERVICE
(Continued)

<u>RATES - (Continued)</u>	<u>Rate per Month</u>	
(2) Resident One-Party Access Line Services		
a. Extended Area Service		
1. Pioneer		
Flat Rate Service	\$ 20.25	(I)
2. Volcano		
Flat Rate Service	20.25	(I)
3. West Point*		
Flat Rate Service	21.20	(I)
b. Local Service		
1. Kirkwood Meadows		
Flat Rate Service	20.25	(I)
(3) Hunting Service		
Each one-party business access line arranged for hunting	1.00	

* See Special Conditions 6. for toll-free calling to certain organizations and entities in Pacific Bell's San Andreas exchange.

(Continued)

(To be inserted by the utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. 358A

Date Filed September 30, 2010

Decision No. 91-09-042

Sharon J. Lundgren

Effective January 1, 2011

NAME
President

Resolution No. _____

TITLE

Schedule No. A-1

NETWORK ACCESS LINE SERVICE

(Continued)

SPECIAL CONDITIONS

1. Off-premises extension service will be provided at the applicable mileage rates as shown in Schedule No. A-3.
2. Extended Area Service comprehends service without additional charge to all other stations served by exchanges of the Utility and/or Pacific Bell exchanges in the following expanded local calling areas: (T)

From Stations Receiving
Service from the
Exchanges Designated As

To Stations Receiving
Service from the
Exchanges Designated As

Pioneer
Pioneer
Pioneer
Volcano
Volcano
Volcano
West Point
West Point
West Point

Volcano
West Point
Jackson
Pioneer
West Point
Jackson
Jackson
Pioneer
Volcano

(N)

Additionally, the following expanded local calling areas are established in accordance with Decision No. 90-11-058 dated November 21, 1990, to be effective June 1, 1991:

From Stations Receiving
Service from the
Exchanges Designated As

To Stations Receiving
Service from the
Exchanges Designated As

Volcano
Volcano
West Point

Sutter Creek
Mokelumne Hill
Mokelumne Hill

3. Line extension and service connection charges in suburban areas are set forth in Schedule No. A-5 and Rule No. 16.
4. The charge for access to the local exchange network for basic telephone service will remain the same regardless of the number of stations on the premises.

(Continued)

(To be inserted by the utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. 222

Date Filed July 23, 1997

Decision No. 97-06-106

Sharon J. Lundgren

Effective August 11, 1997

NAME
President

Resolution No. T-16742

TITLE

Schedule No. A-1

NETWORK ACCESS LINE SERVICE
(Continued)

SPECIAL CONDITIONS - (Continued)

(D)

(D)

6. There will be no toll charge for any call made from the West Point exchange (prefix 293) to an entity or organization located in Pacific Bell's San Andreas exchange (prefix 754) that is listed on Attachment A of Decision 97-06-106 dated June 25, 1997. Attachment A will be updated every 24 months and filed with the California Public Utilities Commission through an Advice Letter.

(To be inserted by the utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. 298

Sharon J. Lundgren

Date Filed June 3, 2003

Decision No. _____

NAME
President

Effective June 18, 2003

vcng

TITLE

Resolution No. T-16742

Schedule No. A-1

NETWORK ACCESS LINE SERVICE

APPLICABILITY

Applicable to residence and business exchange one-party access lines arranged for touch calling.

TERRITORY

Within the exchange areas, as said areas are defined on maps filed as part of the tariff schedules.

RATES

Rate per Month

(1) Business One-Party Access Line Services

a. Extended Area Service

1. Pioneer

Flat Rate Service	\$ 31.60	(I)
-------------------	----------	-----

2. Volcano

Flat Rate Service	31.60	(I)
-------------------	-------	-----

3. West Point*

Flat Rate Service	31.60	(I)
-------------------	-------	-----

b. Local Service

1. Kirkwood Meadows

Flat Rate Service	31.60	(I)
-------------------	-------	-----

* See Special Conditions 6. for toll-free calling to certain organizations and entities in Pacific Bell's San Andreas exchange. Toll free calling pursuant to Condition 6 is included in the monthly recurring charge. (T)
No additional monthly charge will be assessed. (T)

(Continued)

(To be inserted by the utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. TBD GRC

Sharon J. Lundgren

Date Filed TBD

Decision No. _____

NAME
President

Effective TBD

veng

TITLE

Resolution No. T-16742

Schedule No. A-1

NETWORK ACCESS LINE SERVICE
(Continued)

RATES - (Continued)

Rate per Month

(2) Resident One-Party Access Line Services

a. Extended Area Service

1. Pioneer

Flat Rate Service

\$ 21.63

(I)

2. Volcano

Flat Rate Service

21.63

(I)

3. West Point*

Flat Rate Service

21.63

(I)

b. Local Service

1. Kirkwood Meadows

Flat Rate Service

21.63

(I)

(3) Hunting Service

Each one-party business access line arranged for hunting

1.00

* See Special Conditions 6. for toll-free calling to certain organizations and entities in Pacific Bell's San Andreas exchange. Toll free calling pursuant to Condition 6 is included in the monthly recurring charge. (T)
No additional monthly charge will be assessed. (T)

(Continued)

(To be inserted by the utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. TBD GRC

Sharon J. Lundgren

Date Filed TBD

Decision No. 91-09-042

NAME
President

Effective TBD

lcng

TITLE

Resolution No. _____

Schedule No. A-1

NETWORK ACCESS LINE SERVICE
(Continued)

SPECIAL CONDITIONS

1. Off-premises extension service will be provided at the applicable mileage rates as shown in Schedule No. A-3.
2. Extended Area Service comprehends service without additional charge to all other stations served by exchanges of the Utility and/or Pacific Bell exchanges in the following expanded local calling areas: (T)

From Stations Receiving
Service from the
Exchanges Designated As

To Stations Receiving
Service from the
Exchanges Designated As

Pioneer
Pioneer
Pioneer
Volcano
Volcano
Volcano
West Point
West Point
West Point

Volcano
West Point
Jackson
Pioneer
West Point
Jackson
Jackson
Pioneer
Volcano

(N)

Additionally, the following expanded local calling areas are established in accordance with Decision No. 90-11-058 dated November 21, 1990, to be effective June 1, 1991:

From Stations Receiving
Service from the
Exchanges Designated As

To Stations Receiving
Service from the
Exchanges Designated As

Volcano
Volcano
West Point

Sutter Creek
Mokelumne Hill
Mokelumne Hill

3. Line extension and service connection charges in suburban areas are set forth in Schedule No. A-5 and Rule No. 16.
4. The charge for access to the local exchange network for basic telephone service will remain the same regardless of the number of stations on the premises.

(Continued)

(To be inserted by the utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. TBD GRC

Date Filed TBD

Decision No. 97-06-106

Sharon J. Lundgren

Effective TBD

NAME

President

Resolution No. T-16742

TITLE

Schedule No. A-1

NETWORK ACCESS LINE SERVICE
(Continued)

SPECIAL CONDITIONS - (Continued)

(D)

(D)

6. There will be no toll charge for any call made from the West Point exchange (prefix 293) to an entity or organization located in Pacific Bell's San Andreas exchange (prefix 754) that is listed on Attachment A of Decision 97-06-106 dated June 25, 1997. Attachment A will be updated every 24 months and filed with the California Public Utilities Commission through an Advice Letter.

(To be inserted by the utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. TBD GRC

Date Filed TBD

Decision No. _____

Sharon J. Lundgren

Effective TBD

NAME

President

Resolution No. T-16742

TITLE

lcng

Exhibit C

Volcano Telephone Company
Separated Results of Operations Forecast
Test Year 2017

	Total Company (a)=b+c	Inter- State (b)	Intra- State (c)=d+e	Access (d)	Exchange (e)
OPERATING REVENUES					
1 Local Rev.	2,996,689		2,996,689		2,996,689
Intrastate:					
2 Access Rev.	672,250		672,250	672,250	
3 Toll Rev.	-		-		
4 Interstate USF	802,037		802,037		802,037
5 Interstate Access Rev.	4,657,672	4,657,672	-		
6 Miscellaneous Rev.	215,035	72,059	142,976	40,184	102,793
7 CHCF - A	3,679,701		3,679,701	2,206,046	1,473,655
8 Less: Uncollectibles	(38,302)	-	(38,302)		(38,302)
9 Total	<u>12,985,082</u>	<u>4,729,731</u>	<u>8,255,350</u>	<u>2,918,479</u>	<u>5,336,871</u>
OPERATING EXPENSES					
10 Plant Specific	2,084,916	645,874	1,439,042	869,981	569,061
11 Plt. Non-Spec.(less Depr.)	1,823,280	736,158	1,087,122	651,062	436,060
12 Customer Operations	725,728	249,073	476,655	201,321	275,334
13 Corporate Operations	2,238,993	719,859	1,519,134	857,812	661,322
14 Subtotal	<u>6,872,917</u>	<u>2,350,964</u>	<u>4,521,953</u>	<u>2,580,176</u>	<u>1,941,777</u>
15 Depr. & Amort.	4,085,250	1,191,173	2,894,077	1,725,499	1,168,578
16 Other Taxes	305,192	90,978	214,214	128,290	85,924
17 State Income Taxes	121,858	88,646	33,212	(147,197)	180,409
18 Federal Income Taxes	427,252	310,805	116,447	(516,095)	632,542
19 Total	<u>11,812,469</u>	<u>4,032,566</u>	<u>7,779,903</u>	<u>3,770,673</u>	<u>4,009,230</u>
20 Net Operating Income	<u>1,172,613</u>	<u>697,165</u>	<u>475,448</u>	<u>(852,194)</u>	<u>1,327,641</u>
RATE BASE					
21 2001 - TPIS	79,468,689	22,230,174	57,238,515	34,279,375	22,959,140
22 2003 - TPUC	-	-	-	-	-
23 1220 - Mat. and Sup.	2,197,985	559,592	1,638,393	973,914	664,477
24 1500 - Other Regulatory Asset	333,333	-	333,333	199,785	133,548
25 Working Cash	653,479	217,893	435,586	249,647	185,939
26 Less: Accum. Depr.	55,949,121	15,834,720	40,114,401	24,003,683	16,110,717
27 Less: Deferred Inc Tax	2,940,237	754,247	2,185,990	1,300,144	885,846
28 Less: Customer Deposits	3,923	1,097	2,826	1,692	1,133
29 Total Rate Base	<u>23,760,205</u>	<u>6,417,595</u>	<u>17,342,610</u>	<u>10,397,202</u>	<u>6,945,408</u>
30 RATE OF RETURN			<u>2.74%</u>	<u>-8.20%</u>	<u>19.12%</u>

Volcano Telephone Company
Separated Results of Operations Forecast - Income Taxes
Test Year 2017

	Total Company (a)=b+c	Inter- State (b)	Intra- State (c)=d+e	Access (d)	Exchange (e)
--	-----------------------------	------------------------	----------------------------	---------------	-----------------

Taxable Income:

Net Rev. before Inc. Tax	1,721,723	1,096,616	625,107	(1,515,486)	2,140,592
Interest Expense	343,241	93,837	249,404	149,637	99,767
Taxable Income	<u>1,378,482</u>	<u>1,002,779</u>	<u>375,703</u>	<u>(1,665,123)</u>	<u>2,040,825</u>

State:

Taxable Income	1,378,482	1,002,779	375,703	(1,665,123)	2,040,825
State Rate	8.84%	8.84%	8.84%	8.84%	8.84%
State Tax Expense	<u>121,858</u>	<u>88,646</u>	<u>33,212</u>	<u>(147,197)</u>	<u>180,409</u>

Federal:

Taxable Income	1,378,482	1,002,779	375,703	(1,665,123)	2,040,825
Less: State Tax Expense	121,858	88,646	33,212	(147,197)	180,409
Federal Taxable Income	<u>1,256,624</u>	<u>914,133</u>	<u>342,491</u>	<u>(1,517,926)</u>	<u>1,860,416</u>
Federal Rate	34.00%	34.00%	34.00%	34.00%	34.00%
Federal Tax Expense	<u>427,252</u>	<u>310,805</u>	<u>116,447</u>	<u>(516,095)</u>	<u>632,542</u>

Volcano Telephone Company
Separated Results of Operations Forecast - Allocation Factors
Test Year 2017

	Total Company	Interstate	Intrastate Access	Exchange
Plant Specific	100.00%	30.98%	41.73%	27.29%
Plt. Non-Spec.(less depreciation)	100.00%	40.38%	35.71%	23.92%
Customer Operations	100.00%	34.32%	27.74%	37.94%
Corporate Operations	100.00%	32.15%	38.31%	29.54%
Depreciation & Amortization	100.00%	29.16%	42.24%	28.60%
Taxes Other than on Income	100.00%	29.81%	42.04%	28.15%
Interest Expense	100.00%	27.34%	43.60%	29.07%
2001 - Property, Plant & Equipment	100.00%	27.97%	43.14%	28.89%
2003 - Tel. Plant Under Constr.	100.00%	27.97%	43.14%	28.89%
1220 - Materials and Supplies	100.00%	25.46%	44.31%	30.23%
1500 - Other Regulatory Asset	100.00%	0.00%	59.94%	40.06%
Working Cash:	100.00%	33.34%	38.20%	28.45%
Less: Depreciation Reserve	100.00%	28.30%	42.90%	28.80%
Less: Deferred Tax	100.00%	25.65%	44.22%	30.13%
Less: Customer Deposits	100.00%	27.97%	43.14%	28.89%
Total Interest Expense	524,423			
Operating Percentage	65.45%			
Operating Interest Exp.	<u>343,240</u>			

Exhibit D

**VOLCANO TELEPHONE COMPANY
NOTICE BY PUBLICATION TO ESTABLISH NEW REGULATED REVENUE REQUIREMENT
AND ADJUST RATES**

On December 1, 2015, Volcano Telephone Company (Volcano) filed an application with the California Public Utilities Commission (CPUC) requesting a review of its intrastate revenue requirement and rate design. This filing was submitted in accordance with the CPUC's rules, including those outlined in CPUC Decision No. 94-09-065, in CPUC Decision No. 14-12-084, and in the CPUC's Rules of Practice and Procedure. The application includes a proposal to modify Volcano's basic single-line residential rate, exclusive of taxes and fees, from \$20.25 to \$21.63. The application also includes a proposal to modify Volcano's basic single-line business rate, exclusive of taxes and fees, from \$30.70 to \$31.60. In addition, the application proposes to eliminate the Extended Area Service (EAS) charge of \$0.95 in the West Point Exchange. Further, Volcano proposes a limited increase in single-line business service in all exchanges other than West Point so that Volcano's single-line business rate can be aligned at \$31.60 for all customers. Volcano has made this proposal to ensure that it can continue to provide safe, reliable, modern telecommunications services to its customers, while covering its expenses and earning a reasonable rate of return on its investments.

The CPUC will hold public hearings on dates yet to be determined, which will provide customers with an opportunity to express their views on this matter to the CPUC. The CPUC will review Volcano's filing and may propose changes that differ from those proposed by the company. A copy of Volcano's application and its related exhibits may be examined at the office of the CPUC at 505 Van Ness Avenue, San Francisco, California, 94102, as well as, at the Volcano business office located at 20000 E. Highway 88, Pine Grove, California, 95665.

A copy of the entire filing and related exhibits is available by written request to:

Brenda Shepard
Volcano Telephone Company
Pine Grove, California 95665

Inquiries related to the application, including a request to receive a notice of the date, time and place of any hearing on the filing, may be directed to the CPUC at the address noted above or at the email address of the CPUC's Public Advisor: public.advisor@cpuc.ca.gov.

Exhibit E

**VOLCANO TELEPHONE COMPANY
CUSTOMER NOTICE OF APPLICATION TO ESTABLISH NEW REGULATED REVENUE
REQUIREMENT AND ADJUST RATES**

On December 1, 2015, Volcano Telephone Company (Volcano) filed an application with the California Public Utilities Commission (CPUC) requesting a review of its intrastate revenue requirement and rate design. This filing was submitted in accordance with the CPUC's rules, including those outlined in CPUC Decision No. 94-09-065, in CPUC Decision No. 14-12-084, and in the CPUC's Rules of Practice and Procedure. The application includes a proposal to modify Volcano's basic single-line residential rate, exclusive of taxes and fees, from \$20.25 to \$21.63, which is an increase of approximately 7%. The application also includes a proposal to modify Volcano's basic single-line business rate, exclusive of taxes and fees, from \$30.70 to \$31.60, which is an increase of approximately 3%. In addition, the application proposes to eliminate the Extended Area Service (EAS) charge of \$0.95 in the West Point Exchange. Further, Volcano proposes a limited increase in single-line business service in all exchanges other than West Point so that Volcano's single-line business rate can be aligned at \$31.60 for all customers.

Volcano believes that these proposed adjustments are necessary to cover increased costs necessitated by increases in expenses and by rapid technological changes in the telecommunications industry requiring significant plant modernization efforts in Volcano's service territory. Volcano has made this proposal to ensure that it can continue to provide safe, reliable, modern telecommunications services to its customers, while covering its expenses and earning a reasonable rate of return on its investments.

The CPUC will hold public hearings on dates yet to be determined, which will provide customers with an opportunity to express their views on this matter to the CPUC. The CPUC will review Volcano's filing and may propose changes that differ from those proposed by the company. Accordingly, the CPUC's final decision may be different from Volcano's proposed application.

A copy of Volcano's application and its related exhibits may be examined at the office of the CPUC at 505 Van Ness Avenue, San Francisco, California, 94102, as well as, at the Volcano business office located at 20000 E. Highway 88, Pine Grove, California, 95665.

A copy of the entire filing and related exhibits is available by written request to:

Brenda Shepard
Volcano Telephone Company
Pine Grove, California 95665

Inquiries related to the application, including a request to receive a notice of the date, time and place of any hearing on the filing, may be directed to the CPUC at the address noted above or at the email address of the CPUC's Public Advisor: public.advisor@cpuc.ca.gov.